

PHUMELELA LOCAL MUNICIPALITY (FS 195) ANNUAL BUDGET



2017/2018 TO 2019/2020 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

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Abbreviations and Acronyms

BSC:	Budget Steering Committee
CFO:	Chief Financial Officer
MM:	Municipal Manager
CPI:	Consumer Price Index
DBSA:	Development Bank of South Africa
DoRA:	Division of Revenue Act
DWA:	Department of Water Affairs
FBS:	Free basic services
FMG:	Financial Management Grant
GRAP:	General Recognised Accounting Practice
HR:	Human Resources
IDP:	Integrated Development Strategy
IT:	Information Technology
kℓ:	kilolitre
km:	kilometre
KPA:	Key Performance Area
KPI:	Key Performance Indicator
kWh:	kilowatt
ℓ:	litre
LED:	Local Economic Development
MFMA:	Municipal Financial Management Act
MIG:	Municipal Infrastructure Grant
MPRA:	Municipal Properties Rates Act
MSA:	Municipal Systems Act
MSIG:	Municipal Systems Improvement Grant
MTREF:	Medium-term Revenue and Expenditure Framework
NERSA:	National Electricity Regulator South Africa
NGO:	Non-Governmental organisations
NKPIs:	National Key Performance Indicators
NT:	National Treasury
OHS:	Occupational Health and Safety
PMS:	Performance Management System
PPE:	Property Plant and Equipment
RBIG:	Regional Bulk Infrastructure Grant
SALGA:	South African Local Government Association
SALGBC:	South African Local Government Bargaining Council
SDBIP:	Service Delivery Budget Implementation Plan

1.1 MAYOR'S REPORT

MAYOR BUDGET SPEECH – 2017

Honorable Speaker, Chief Whip and Councilors

- Kgosi Nkgahle Tsotetsi, Batlokoa Traditional Council, Acting MM, Senior Managers and officials
- Churches Baruti,
- Former Councilors
- African National Congress
- Leadership of political parties
- Principals, Educators and learners
- Stakeholders, CDW, CWP, EPWP
- Communities
- Ladies and Gentlemen

I am humbled for being mandated to present to this Council a budget emanating from months of planning and consultation with numerous stakeholders and public alike on the issues/needs which must receive prejudice in our municipal budget for 2017/18 and mid-term financial year. This budget, as informed by our Five Year Integrated Development Plan 2017-2022 will again lean and favor more towards our previously disadvantaged communities, ensuring that our program of infrastructure development and capacitating of those previously marginalized receive precedence above any other in the coming financial year(s). This municipal plan and budget is further informed by our Provincial Growth and Development Strategy, the National Development Plan and importantly the will of the people of Phumelela as translated from our various public and stakeholder engagements as lead by myself as Mayor of this Council.

As a leading member and representative of the ruling party in Phumelela, **I wish to foremost acknowledge the following former councilors of Memel;**

Former Councilor Themba Thela, Former and late Councilor S M Zwane, Former - Councilor LM Msimanga, Former-Councilor T R Radebe and Former-Councilor J M Sithebe-Ngwenya. We are humbled as a council for having had an opportunity to have worked with some of them and having shared a common vision of development and prosperity for the people of Phumelela.

Let me acknowledge our late president of the African National Congress Oliver Reginald Tambo, a formidable and tested leader of the liberation movement whom gallantly directed a struggle against the oppression of black people in general, exploitation of workers, the struggle against injustice and the unrighteous theft of land of the indigenous peoples of our country and continent, and activist who fought for the complete liberation and emancipation of the African mass. With 2017 declared the year of OR Tambo by both our national and provincial government, Phumelela local council shares in this tribute to a recognised and tested revolutionary whom sacrificed his personal ideals in favor of the liberation of our people, a combatant, a commander-in-chief of the Umkhonto we Sizwe whom battled the imperialist supported SADF towards liberated South Africa. Let me very briefly reflect on the life of Comrade Oliver Tambo mainly as a leader of the African National Congress, in exile and upon his return to South Africa after the unbanning of the ANC. Comrade Tambo having schooled in the vicinity of his home, developed a passion for the priesthood and therefore also strived to become a Priest in the church. With Tambo's spiritual life nurtured at Holy Cross, he was baptised as a Christian into the Anglican fold. His activism started at school, since being elected as secretary to the Bizana Students Association at the tender age of 16. Since him meeting Nelson Mandela as both fellows of the Student Christian Association, their connection and friendship soon unfolded/culminated into a lifelong commitment informed by people's struggle. His introduction to Sisulu in 1942 also saw him meeting with others like Anton Lembede, Jordan Ngubane and Nelson Mandela.

Facts remain, during his lifetime Comrade OR Tambo dedicated his entire being into campaigning not only for the ANC but for the destruct of Apartheid and more specific the isolation of Apartheid South Africa from the international community. The establishment and growth of the Anti-apartheid movement on foreign soil, saw endless protest campaigns against Apartheid South Africa at embassies and diplomatic institutions across the world, including the boycott of international sports and cultural activities in which Apartheid SA wanted to or were partaking. Our freedom and achievement in the new South Africa can thus to a greater extend be contributed to the continuous campaign led by the African National Congress, United Democratic Front and international community under the leadership of Comrade Tambo. Our dedication of a year of government programs

and activity can thus never compensate for the sacrifices made by Comrade OR Tambo, though we acknowledge his role into our achievements to date. As a Council and municipality we must therefore dedicate all our Youth development programs and projects to Comrade Tambo, directly linking the projects to his legacy and as such educate and communicate the message of commitment and development to that of Oliver Reginald Tambo.

Long live the spirit of Comrade Oliver Reginald Kaizana Tambo Long Live!

All power to the People!

Halala OR Tambo halalalaaa

This Budget Address will reflect on our performance as a local municipal government, also acknowledging our areas of non-performance and how we plan to redress such areas specific on the terrain of basic services in benefit of the masses of Phumelela. This day as I lead this Council, I wish us all as Council to be mindful of our mandate and calling to serve not ourselves but our people, we remain very aware of the sacrifices made by past and present leaders/activists whom braved the different frontiers of struggle, the different terrains of struggle, those whom spent endless years and months in prison, in exile in collective pursuit of a just cause, equality and freedom. It is important for us all to know and understand that our service and commitment must consistently be informed by the ideals and freedoms as enshrined in the Freedom Charter. Fellow councilors, officials, member of the public and comrades our reference to the principles and democratic framework therefore also require from us to regularly reflect on our achievements and relate our actions and conduct to what our constituency expects from us and how we meet their demands in such instance.

When I refer to our actions and conduct we must always remember to never be apologetic of our mandate, never allow our actions to be questioned as long as are focused on delivering our people from the abject of poverty and underdevelopment. Our constant relation with the masses under our public participation program and ward operational plans must therefore be obligated in all forms, to provide constant feedback and communication on the development of council program.

Fellow councilors, officials, comrades and members of the public our transformation program require from us to build on the new course we have set for ourselves if we wish to be effective in driving change. A fundamental question we must pose, is that of political economy, to allow us in appreciating this **WE** cannot rely on a resource(s) which may

eventually hold us captive or stifle development but build the alternative source that will be able to support the radical transformation program, therefore calling for discipline and commitment from all our people in different forms so we all can appreciate the difficulty and challenges it takes to attain our goals. As long as we embrace such principles that supports the policy imperatives of radical change. Let me now refer to the different areas of focus of Council as set out over the new term, and indicate how best we aim to effect radical change in the lives of our people in collaboration with them. Ownership of our liberated areas must be taken by our people to ensure our gains are protected and valued, be it in the forms of co-operatives, street committees or neighborhood formations. We all know the social reality of our country is the disastrous consequence of colonialism of a special type amidst the defeat of apartheid. Let us not also put all the blame to apartheid and colonialism as we all must also acknowledge the exploitation of our people by some of our own. The mobilization of appropriate structures of government must therefore also become a central feature of development in our municipality, as we will need to use these structures to promote and enhance the developmental agenda, towards a classless society.

Securing that our people have proper and decent access to the most basic and fundamental services allows us to build a resilient and healthy nation capacitated and enabled to withstand natural and health attacks on the body and social fabric of society. The following manner in how we prioritize specific services in benefit of the most vulnerable requires no justification but obligatory service.

COUNCIL ACHIEVEMENTS:

Honorable Speaker, Councilors, Officials and members of the public our past term as a government showed our primary focus mainly directed towards building institutional capacity in the areas of creating systems and processes to support and enhance service delivery. Our organisational structure is now being geared to ensure we move away from outsourcing specific functions towards in-house capacity in rendering certain services.

Amidst all these arrangements a number of distinguished activities were undertaken of which some with significant levels of achievement to the better and advantage of our broader society.

I wish to acknowledge the numerous learnership and development programs rolled-out to develop our in-house capacity over the last year and the tremendous support provided by the Free State Provincial government, as well as external support through LG-Sita discretionary grant for investing into our communities for both employed and unemployed

persons to a total value of **R1 084 000 00**. An amount of **R420 000 00** is earmarked for unemployed persons, whilst **R664 000 00** is reserved for municipal staff. As a low-capacity municipality and mainly agri-cultural economy with limited industrial development and retail activity unemployment and development opportunities are fairly limited we leaned heavily on the District, Provincial and National government support for employment and investment opportunities. As much a number of bursary and educational opportunities were provided of which a number of students successfully graduated from various universities and further scholar support in India, Russia and Cuba.

- Our economic development end opportunities to strengthen the economic sector realised funding opportunities for Co-operatives of which Phakamisani cooperative in Memel received support from the National Development Agency (NDA)
- In January 2017 we hosted a community dialogue at the Vrede Hotel which was attended by 60 cooperatives in collaboration with NDA
- Training was provided for 3 groups of cooperatives in crop production as funded by Agri-Seta.
- In February 2017, 48 cooperative beneficiaries were trained in the area of financial and conflict management to support the development and enhancement of their businesses.
- A number of 40 cooperative beneficiaries were trained in community development practice during May of this year.
- The municipality appointed 5 financial interns and 11 work based-training interns in other fields of administration
- Through NARISEC/DRDLR the municipality recruited 23 learners (specifically for rural areas)
- We concluded the appointment of a Risk Committee Chairperson, with our Risk Committee now geared to roll-out its oversight and advisory function on all risk related issues.
- We intend to create 28 permanent jobs in service-delivery related areas (Refuse/Waste removal, Water & Sanitation management).

Our work and as a council and administration was led by myself and former Municipal Manager, Mr Bruce Kannemeyer whom have now moved on having been appointed as Municipal Manager of Ngwathe in Parys. In this instance we wish to acknowledge his contribution to Phumelela and its people and for the great work he has performed as a foundation for future growth of Phumelela.

The departure of Mr Kannemeyer, allowed us to continue the implementation of our development agenda, with the appointment of an Acting Municipal Manager in the form of Ms Malatjie as we continue to redress our the gender imbalance that is generally found in the corporate and public sector. Her appointment brings a new approach in terms of managing the affairs of Council and we will and must all support her for the period of her appointment into making Phumelela better for all.

MASSIVE ACCESS TO ROADS

Our focus on the development and improvement of our Roads Infrastructure continues into the new term, supported by the massification program which aims at creating temporary work opportunities for the unemployed youth in our municipal space. The Municipal Infrastructure Grant from national government has been the main funder of these projects, rolled-out in all towns of the municipality, having had a major focus on previous disadvantaged areas over the last few years. The change in the funding conditions, now allows the municipality to also stretch the budget and program towards other areas in the municipality, specifically the central business districts. To date the municipality developed and improved access to roads in the following municipal areas as stipulated below.

Road Infrastructure Developed 2015-2016

Town / Ward	Kilometers paved
Vrede/Thembalihle	2km paved Road
Warden/Ezenzeleni	1.5km paved road
Memel/Memel	2km paved road

Road Infrastructure to be developed 2017 – 2018

Town / Ward	Kilometers paved
Vrede/Thembalihle	1km paved road
Warden/Ezenzeleni	1km paved road
Memel/Zamani	1km paved road

Through the initiative of job creation our government endeavors to explore massification projects which will create more work opportunities over longer period as opposed to tender processes. A total of 90 job opportunities will be created in the process.

As part of our efforts in creating safer communities, we have started by ensuring that traffic moving through our residential and business areas do so in a safe manner without threat to

pedestrians and other moving traffic. Speed humps were therefore introduced and we will continue introducing speed humps mainly in close proximity of schools, creshes, churches and retail shops.

As much as our council and municipality struggles to provide services and maintain our infrastructure, we will continue to move forward and encourage our people to pay for the services we provide. As we continue engaging both residents and businesses we will also lead the program of creating better towns that are clean and where our services are provided uninterrupted at acceptable standards. We MUST therefore also encourage our residents and businesses to partake in our efforts to make the municipality function better and optimally. We certainly wish to expand the development and maintenance of roads, though require all residents to together with us take responsibility for our towns, our infrastructure and our future by paying for the services we provide. With more revenue to be generated, this municipality will be able to address the current infrastructure challenges over a period of time and we commit to effect that change.

We can only do so much as we plan for or risk losing out on some achievements if we are not able to plan properly, not only for the current needs BUT also in anticipation for the longer term, based on anticipated growth. We must invest in innovation amidst limited resources and changing environments, in collaboration with communities or groupings that represent broader community interest.

WATER INFRASTRUCTURE

Water has become the most sought-after natural resource which seem to continually become more and much more scarcer in a growing global and industrialised community. With billions of liters of water going to waste of loss annually, it became increasingly important to develop catchment areas to conserve and distribute in accordance with the natural need of development. The important protection of water as a national resource requires further regulation, and much expected research and forward planning to avert droughts and wastage all-round. To date the municipality can proudly declare an improvement in our water quality from 45-67.8%, demonstrating that our water is in an acceptable state. Locally, our water infrastructure network continue experiencing greater challenges with an increase in water demand amidst inadequate and ageing dilapidated infrastructure system that requires immediate upgrades, improvements and expansion.

- We are proud to announce that Phumelela is amongst others identified to receive grant support to the value of R10M, which will be rolled-out in Zamani, Thembalihle and Ezenzeleni areas.

- Council has allocated a significant budget for water provision and water connection to House Holds in **Ezenzeleni -336, Vrede – 250 and Zamani – 411.**
- As a water authority, Council, together with the Department Water Affairs and Sanitation recently approved the development of a dam in Warden, known as the Cornelius Dam, this resource will provide sufficient water to the entire Warden community, and then allowing the municipality to rehabilitate the old/current reservoirs and upgrade it as a support resource for the area. This dam currently in its initial phase of development is scheduled for completion towards the end of 2018.
- I further Reality continues to reflect that current infrastructure was not developed for the mass which currently consumes from the facilities, with massive strain/pressure. Our continuous provision of services with little and in some instances no responsibility or burden placed on consumers in our area we have effectively contributed towards the degeneration and destruction of our own systems and assets which we certainly regret now and will continue to regret for years to come. Our future planning must ensure that all developments are locally funded and resourced if we wish to attain or realise sustainability. Should we continue with the old manner of conducting business, we may face or become responsible for our own closure due to financial constraints. This very proposed integration of Phumelela towns into neighboring municipalities by the former Minister for COGTA was counter-proposed, since we believe that we are able to get the municipality viable and functional again if we were to get all our systems, structures and mechanisms functional in collaboration with our clients/residents and businesses. As we thus face this daunting task, we rely heavily on the cooperation and support of our people, as without the support of our consumers our vision will remain a pipe-dream, never to be realised.

Our climate change to which we are currently exposed, not only in Phumelela, the Free State and country at large is a national natural reality with serious impact and consequences to on our environment and its natural resources. As a mainly agricultural economy, we remain heavily dependent on our natural resources; which includes water and the quality of our soils and vegetation that feeds our cattle, sheep and other livestock. This also calls for adjustments on how we consume placing greater responsibility and burden on us to conserve and use resources more sparingly. Our neighboring provinces which include the Northern Cape and Western Cape are already experiencing serious natural challenges with

dams running dry and other underground water resources already strained, we certainly in time may face similar challenges should our planning not be activated immediately.

Our consumption levels must be drastically adjusted and secondary reservoirs developed and upgraded towards saving and conserving more for the greater water challenges to come. Whilst other coastal provinces may have access to the ocean for options of establishing desalination plants to support existing water resource facilities, our options for water resources support are much more limited, and our consumption levels may even prove more.

The conservation of water as resource both domestic as well as industrial commodity thus requires educational support program in the areas of consumption and other use. Our current water resources are further challenged with the growth of unknown natural vegetation in dams across the Free State, calling for intense research and development to understand this new development and possible ways of how to overcome or curb this invasion.

The payment for water by those outside the Indigent threshold allows for the subsidizing of water provision towards those unable to afford or those registered and part of our Indigent consumer base. This council currently provides free basic services; i.e 6KL of water per month to those registered as Indigents and consumption includes water towards sanitation and other use. A more regulated environment allows for consumers to view and value consumption and accepting responsibility in such instances. Whilst the payment for the services will contribute towards the maintenance and further development of the plants, we must look at conserving a percentage of payments received towards the further expansion of existing infrastructure and improvement in service delivery. The ring-fencing of such income/revenue could be a possible investment mechanism for future developments.

SANITATION, WASTE MANAGEMENT AND ELECTRICITY PROVISION

This Council continues to invest in restoring and bring dignity to every household and community across Phumelela our district and our province. Our commitment to deliver proper sanitation includes the availability of functional flushing toilets, well-oiled sewage systems which contributes to our environmental friendly programs. Historically our communities' sanitary operations was only known to that of bucket system which in itself contributed largely to unhealthy conditions and as much many of our children and elderly were vulnerable and prudent to illnesses. Phumelela has to date delivered **9412**

households with flushing toilets, Sanitation and access to decent sanitation has always been central to the program of government, more especially the eradication of the bucket system that aims to bring dignity to our people and all communities. Reality continues to reflect that Zamani remains challenged in the areas of bucket eradication, though we continue our commitment to bring dignity to our total community in Zamani. Though large numbers of household and toilets are now connected to our main sewage grid, a significant number of households still needs to be connected to the flushing system, away from any form of bucket eradication. To this effect Council have allocated a budget of **R8 253 103.96** which aims to connect a further **558 households/stands** in the 2017/18 financial year. Apart from this the budget for the 2018/19 financial year is set at **R 5 804 921.00** which will address or connect approximately **550 households/stands**.

Amid our financial challenges, I further wish to appreciate the efforts and support from DWSA for the refurbishment of our Sewer pumpstation in Vrede/Thembalihle..

WASTE MANAGEMENT

The removal and disposal of waste services to all households consistently improved throughout the year in comparison with previous years, acknowledging also the unfortunate occasions of non-removal due to operational reasons beyond our control. Our current system however provides for refuse/waste removal once per week on a scheduled basis though our mechanisms must be addressed to ensure more efficient and effective service provision. The most significant and major challenge for the municipality remains the establishment of licensed landfill sites to which waste can be disposed and further processed or recycled towards a more healthy and clean environment.

The licensing of our landfill sites has been prioritized for this term, with suitable already identified and in process to be licensed. The recycling process also provides for an ideal business opportunity, from which a number of employment opportunities can be derived in terms of the different categories of waste being; glass, paper, plastics, building materials and plant materials. We must continue to look at the development and approval of an Environmental management policy, which will regulate the disposal of different types of waste, gas emissions into the atmosphere and the protection of our ecosystems including the protection of biodiversity. Acting Municipal Manager, I want you to prioritize not only the development of this particular policy and plan, but also the development and approval of the number of sector plans that has been and remains outstanding for a significant number of years now. We cannot continue providing services in this manner as this now

allows for ad-hock programs with no or very little structure. Our forecast planning must be clear, having taking into cognizance the various risk-factors with appropriate mitigative plans put in place to avert crises situations from unfolding.

Electricity

To date the municipality has constructed 11KV substation and 2.1km electricity line for supply to Ezenzeleni. We have also increased our NMD which had a significant financial impact in our electricity bill. This provision of electricity has been daunted by the huge debt which is currently owed to Eskom, not only by Phumelela but most municipalities across the country. To reduce illegal connections, meter by-passing, the municipality intends introducing the meter and split-meter system to curb electricity distribution losses. The massive pressures which communities and business places on the electricity consumption grid and outstanding debts, did not allow Eskom to make sufficient provision for development and upgrading with most electricity sources then running into difficulty.

We will continue introducing high-mast lights in all public and residential areas; Zamani, Ezenzeleni and Thembalihle to increase visibility at night, and also allow for more safer areas. As much as the number high-mast lights will be increased in identified areas, we will continue with our maintenance of street lights in existing areas.

- Zamani remains challenged with electricity-supply due to our proximity outside Free State boundaries, making it impossible for the municipality to achieve its mandate with the provision of electricity.
- A budget of R209 000 00 is set aside for pre-engineering study for electricity supply in Forster – section as for the 2017/18 financial year.

Our arrangement with Eskom came after intervention by the Office of Premier, Provincial Treasury and SALGA addressing not only our current debt-servicing but also electricity distribution challenges which has been prevalent for a huge number of years. To this effect the municipality is currently looking at the replacement of defective electricity meters, installation of pre-paid meters across Phumelela. This development will allow the municipality to address our current revenue collection challenge as well as provide access to electricity to residents as widely as possible.

Our municipality has to date delivered 80% of our households with access to electricity. This percentage accounts for **11623** households across the municipal space.

Free Basic Services

Our contribution to the national fiscus allows the municipality to also make provision for the provision of free basic services, to mainly our registered Indigent community, classified as poor and marginalized. The process for registration has already been prioritized and ward councilors together with ward committee members and community development workers will be out in the field to ensure that we register all those currently in this indigent-threshold which will be followed-up with a verification process to be initiated by our finance department.

I am confident that this process in culmination with our data-cleansing process allows for a much clearer view on what to plan for and how to undertake our planning and implementation processes over the next few years. To many of our households and people are falling through the poverty cracks, though they are not categorized accordingly. We continue to classify ourselves as a caring government, then we must ensure our programs and actions also signify our care for the poor and marginalized.

We currently provide for free basic services in the following categories;

Water: **6 Kilo-Liters per month**

Electricity: **50 Kilo-Watt of electricity per month**

Refuse Removal: **100%**

Sanitation: **Subsidized**

Honorable Speaker, councilors and members of community, 2017 being declared the year of radical socio and economic transformation, requires from us to do introspection on our transformation and democratic advances made and how we aim to continue advancing our program. We are mindful and remember the battles between the Basotho people and the White settlers mainly within our region now known as the Free State / Lesotho areas between 1858 – 1868, with the purpose of the wards the maintenance of territorial rights. The battles between the Caledon and Orange rivers and areas north of the Caledon River towards Harrismith. King Moshoeshoe, helped smaller fugitive and displaced clans under his centralized authority amidst competition for resources in drought stricken areas. King Moshoeshoe during 1824 gave assistance to his defeated enemies by giving them land, which lead to the establishment of the Basotho nation.

The arrival of White settlers in the area, due to the Great Trek was initially useful to Moeshoesoe as the settlers created a buffer between the Basotho and the Kora, with

white settlers (known as boers) crossed the Orange River from the Cape Colony in mid-1820's, though they allegedly asked for permission to settle there, they later claimed it despite Moshoesoe's view that he lend it to them.

The 1845 treaty recognised White settlement in the area, however no boundaries were drawn between areas of White settlement and Moshoeshoe's kingdom, a dispute which led to inevitable border clashes, with a discernible boundary which became necessary.

The battles between the Basotho and the British led to the defeat of the British at the battle of Viervoet in 1851 along the Warden line, Caledon River Valley fertile agricultural land for both the Basotho and British. In 1851 Moshoeshoe offered an alliance to Andries Pretorius against the British and subsequent battles on the Berea Plateau in 1852 led heavy casualties and losses to the British by armed Basotho cavalry.

The subsequent battles and wars evidently shows the resistance by King Moshoeshoe against the occupation of his land and the enslaving of his people with the first Basotho war of Senekal (sometimes spelt Senegal), the Seqiti War,

The third Basotho war saw the central role the British played in initiating and instigating war between the Moshoeshoe and the Boers over territory. The British became the deal-broker with the Boers mainly being their subjects and saw the Convention of Aliwal North declared. King Moshoeshoe saved his kingdom from being overrun by the Boers, and his subsequent death in 1870, saw King Moshoeshoe buried at summit of Thaba Bosiu.

Amidst all the different wars for territorial control, most of our peoples were dispossessed of their land by both the British and Boers. The formation of the African Native Congress, Indian Congress, Coloured People's Congress, and later African National Congress saw all marginalized communities/nationalities uniting in the fight for the recognition of existence and rights. Our struggle for the attainment of freedom and democracy continues under the leadership and auspices of the ANC led government, to restore dignity, restore land and ownership rights to disposed land to remedy past injustices and theft. We must however not confuse our right to existence and restoration of rights to that of violating the rights to co-existence. We must ensure that any transfer of property/land or equipment happens fluently to the benefit of our country and for that of national interests. We must not now nor ever be apologetic in our approach of retribution and government and rule with an acquired assertiveness and authority. As a council we must also defer all people from initiating any

attacks on our Farmer community, defer from any assault on our women and children, protect the rights of our elders and contribute towards creating a better Phumelela.

I today wish to recognise our achievements in the areas of governance especially;

- Our second consecutive unqualified audit
- Our institutionalization of governance structures; Committee system, Establishment of Ward Committees, Risk/Audit Committee, introduction of Performance Management System and
- Introduction and institutionalization of mSCOA

I look forward to the number of programs we will be rolling-out in the next few months of which include the;

- Friday Cleaning Campaign, Implementation of our municipal by-laws especially in the CBD around business and property management,
- Establishment of local Chambers of Businesses as also encouraged by the Premier,
- Rebuilding of our Central Business Districts,
- Operation Patala a revenue enhancement strategy, including the introduction of electricity and water meter systems
- Strengthen the fight against crime, especially against our children and women, farmer attacks
- Build social cohesion amongst different local community groupings
- Enforcement of municipal by-laws to protect the our business culture
- The funding of SMME's will mainly be in the form of equipment and/or tools to support existing and emerging businesses with their different ventures.
- The initiation of a chicken-broiler farm project around our farming **AREAS IN BENEFIT OF FARM WORKERS** will be prioritized under the auspices of cooperatives for wards 5, 7, 2, 8 and 1. Ward committees and ward councilors will be instrumental with identification of beneficiaries in this regard.
- We must secure all premises from which we initiate service delivery and drive the programs of development. The introduction of CCTV cameras to monitor movement around government property is important for continued delivery.
- The safeguarding of our investments / completed projects/properties also require us to properly fence such properties as the Thembalihle Sportsfield

- I further encourage the Acting MM to look into the completion of paving projects in all different towns especially Memel and Warden. The completion of a project must mean that residents should be able to use the entire street once completed.

Honorable Speaker, I present this budget as a foundation for change to this Council trusting that we share a common vision of radical socio-economic change and transformation for the 2017/18 and outer financial years for your considerable consideration!

1.2 COUNCIL RESOLUTIONS

ITEM :

RE: PRESENTATION AND TABLING OF THE DRAFT 2017/2018 CAPITAL AND OPERATING BUDGET AND IDP DOCUMENT

RESOLVED

RECOMMENDATIONS

- That Council note the content of the report on this item
- That council adopt and approve the annual operating and capital budget of the municipality for the 2017/2018 MTREF and the two projected outer years 2018/2019 and 2019/2020 as set out in the following tables:
 - Table A1 – Budget Summary
 - Table A2 – Budgeted Financial Performance (revenue and expenditure by standard classification)
 - Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)
 - Table A4 – Budgeted Financial Performance (revenue and expenditure)
 - Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding
 - Table A6 – Budgeted Financial Position
 - Table A7 – Budgeted Cash flows
 - Table A8 – Cash backed reserves/accumulated surplus reconciliation
 - Table A9 – Asset Management
 - Table A10 – Basic Service delivery measurement
- That Council approves and adopt the budget related policies as reviewed by administration
The reviewed policies are as follows:
 - Property Rates Policy
 - Infrastructure Procurement and Delivery Management Policy (new)
 - Tariff Policy
 - Indigent Policy (Amended)
 - Credit Control (Amended) and Debt Collection Policy
 - Supply Chain Management Policy
 - Bank and Investment Policy
 - Budget and Virements Policy
 - Debt impairment Policy
 - SLUMA Tariffs
 - Accounting policies
 - Travel and Subsistence Policy (Amended)

New policies are as follows:

 - Infrastructure Procurement and Delivery Management Policy
- That council approves and adopt the new tariffs for the different services and rates and taxes to be implemented as from the 1 July 2017 as outlined on Annexure A (The increases are as follows:
 - Property Rates 7.10 % (2017/18), 7.10% (2018/19), 7.10% (2019/20)
 - Water 10% (2017/18), 10% (2018/19), 10% (2019/20)
 - Sanitation 10% (2017/18), 10% (2018/19), 10% (2019/2020)
 - Refuse 10% (2017/18), 10% (2018/19), 10% (2019/20)
 - Electricity 1.88% (2017/18), 1.88% (2018/19), 1.88% (2019/20)
- That council take notice that the measurable performance objectives must still be determined for the budget year 2017/2018

Signed by.....
CLLR T.J. MOTAUNG (MAYOR)

.....
DATE

1.3 EXECUTIVE SUMMARY

1.3.1 Background

This draft budget of Phumelela Local Municipality is compiled in accordance with prescribed legislative frameworks for the MTREF that is due to start on the 1 July 2017 to June 2020. According to section 16(2) of the MFMA, read together with section 215 of the constitution, the Mayor should at least 90 days before the beginning of every financial year table an annual budget for consultation to Council. This budget is, therefore, tabled to Council for consultation as operating and capital budget of the municipality for the financial year 2017/2018 and for the two projected outer years (2018/2019 and 2019/2020).

Section 24 of the MFMA requires that, the municipal council must at least 30 days before the start of the New Year consider the approval of the annual budget. This budget will be approved by the municipal council on the 30th May 2017. This document was prepared with serious consideration of the local socio-economic scene and the continuous increase in unemployment and poor standard of living in our community. The municipality must thus, make initiatives to combat the challenges of poverty, unemployment and inequality through enhancement of projects that will encourage local economic development and other employment creation initiatives to improve lives of its community.

The municipality's cash flow trend is not good; this is due to poor debtors' collection and creditors' control. The community has been encouraged to come forth and register as indigents, as and if they qualify in accordance with the set criteria. This will help the municipality in cash forecasting and budget for realisable goals. Despite the current cash flow challenges, we are striving to improve the current status of service delivery through implementation of various cost saving methods and controls.

The Office of Budget and Treasury under the auspices of the CFO shall oversee the whole budgeting process, budget implementation and the monitoring thereof. All sections are advised to start saving costs in performing their duties yet maximising their performance. The following are some of the most overspending expenditure votes that should be seriously controlled: telephone, travel and subsistence, overtime, print and stationery. Every employee of the municipality shall take the ownership of this document and ensure maximum service delivery through implementation of the IDP priorities as set.

The municipality continues to provide for free basic water, electricity, sanitation and refuse-removal services but only to indigents and up-to a set benchmark. For the 2017/2018 MTREF, the indicative allocations for 2018/19 and 2019/20 have been calculated taking into account provisions of circular 85 of the MFMA issued in December 2016. Electricity bulk price increases of 10 percent, CPI forecast of 6.4 percent in 2017/2018 and 5.7 percent in 2018/19 and 5.6 percent in 2019/19 as well as household growth in line with the period between 2001 and 2011. These variables will be updated in future budgets to reflect any changes in the growth in prices and/or change in affordability of our communities.

1.3.2 Overview

The application of sound financial management principles for the compilation of PLM's financial plan is essential and critical to ensure that PLM remains financially viable and that municipal services are provided sustainably, economically and equitably to all its communities. PLM's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. This exercise has resulted in shift from the surplus of R51 129 to the surplus of R45 547 for the first financial year of the MTREF. The PLM has also introduced strategic measures to encourage consumers to pay their arrear debt.

National Treasury's MFMA Circular No. 85 and 86 were used to guide the compilation of the 2017/2018 MTREF. The main challenges experienced during the compilation of the 2017/2018 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging and poorly maintained water, sanitation, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the given income base;
- The increased cost of electricity (due to tariff increases introduced by NERSA). This is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable as there will be a point where services will no longer be affordable; and
- Salary increases for municipal staffs that continue to exceed consumer inflation, as well as the need to fill critical vacancies.

The following budget principles and guidelines directly informed the compilation of the 2017/2018 MTREF:

- The 2017/2018 Mid-year Budget Performance Report priorities and targets, as well as the base line allocations contained in the budget were adopted where applicable as the upper limits for the new baselines for the 2017/2018 annual budget;
- Current service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Where tariffs were increased, affordability and the inflation rate as measured by the CPI were considered, price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity were also considered. In addition, MFMA Circular 85 and 86 were also considered. In these Circulars municipalities are urged to move towards tariffs that are cost reflective, and take into account the need to address infrastructure backlogs;
- There will be no amounts budgeted for national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
 - Special Projects (bursary fund, learnership, etc.) – The budget for bursaries is limited to those already awarded
 - Consultant Fees – This is limited to existing contracts as well as where the municipality does not have the necessary skills.
 - Furniture and office equipment (inventory) - The budget for these is limited to the requirements for new positions and existing staff that do not have furniture
 - Special Events (disaster management, farmers' support);
 - Refreshments and entertainment;
 - Subsistence and Travelling – The budget for this has been centralised in the Municipal Managers office, and all travelling is pre-authorised by him.
 - Overtime – The budget for this item is meant for extreme cases, where no alternative is available

In view of the executive summary, the following table is a consolidated overview of the 2017/2018 Medium-Term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2017/2018 MTREF

Description	BUDGET 2016/2017 R'000	BUDGET 2017/2018 R'000	BUDGET +1 2018/2019 R'000	BUDGET +2 2019/2020 R'000
Operating Revenue	131 049	129 038	131 986	142 119
Operating Expenditure	130 666	128 962	131 820	141 754
Surplus/(Deficit)	383	76	166	366
Capital Expenditure	33 720	84 454	65 364	51 434

Total operating expenditure for the 2017/2018 financial year has been appropriated at R128.9m and translates into a budgeted surplus of R76k. When compared to the 2016/2017, operating surplus is anticipated to decline by 80 percent in the 2017/2018. The operating surplus for the two outer years increases to a surplus of R166k in 2018/19 and a surplus of R366k is projected for 2019/20, which shows our commitment to service delivery.

The capital budget of R 84.4m for 2017/2018 is 39 percent more when compared to the 2016/2017 Budget. The increase is due to the slight increase in funding from the national government for 2017/18. The capital programme slightly decreases to R65.3m in the 2018/2019 financial year and then further decreases in 2019/2020 to R51.4m. All of these projects (100 percent) of the capital budget will be funded from government grants namely, the Municipal Infrastructure Grant, Regional Bulk Infrastructure Grant, Integrated National Electrification Programme Grant and Water Service Infrastructure Grant . Other projects are not reflected on our budget as they fall within the scope of provincial and national government programmes

1.3.3 Operating revenue and expenditure framework

For PLM to continue improving the quality of services provided to its residents it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macro-economic policy;
- Growth in the PLM and continued economic development;
- Efficient revenue management, which aims to eventually achieve an 80 percent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the PLM.
- The municipality's adopted financial recovery plan

Table 2: The following table is a summary of the 2017/2018 MTREF (classified by main revenue and expenditure source):

FS195 Phumelela - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

3195 Phumlela - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	12 628	13 575	14 593
Service charges - electricity revenue	2	-	-	-	-	-	-	-	13 926	7 930	8 391
Service charges - water revenue	2	-	-	-	-	-	-	-	11 230	12 353	13 588
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	6 959	7 654	8 420
Service charges - refuse revenue	2	-	-	-	-	-	-	-	6 485	7 134	7 847
Service charges - other									-	-	-
Rental of facilities and equipment									4 756	5 040	5 337
Interest earned - external investments									220	234	249
Interest earned - outstanding debtors									5 896	6 440	7 034
Dividends received									-	-	-
Fines, penalties and forfeits									54	58	62
Licences and permits									27	29	31
Agency services									-	-	-
Transfers and subsidies									64 948	70 533	75 498
Other revenue	2	-	-	-	-	-	-	-	1 909	1 005	1 069
Gains on disposal of PPE			-						-	-	-
Total Revenue (excluding capital transfers and contributions)		-	-	-	-	-	-	-	129 038	131 986	142 119
Expenditure By Type											
Employee related costs	2	-	-	-	-	-	-	-	61 732	65 914	70 319
Remuneration of councillors									5 723	6 067	6 431
Debt impairment	3								5 113	7 794	8 540
Depreciation & asset impairment	2	-	-	-	-	-	-	-	4 460	4 723	4 998
Finance charges									2 388	2 531	2 679
Bulk purchases	2	-	-	-	-	-	-	-	18 200	15 851	18 042
Other materials	8		-						-	-	-
Contracted services		-	-	-	-	-	-	-	2 382	2 524	2 672
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	-	-	-	-	-	-	-	28 964	26 416	28 073
Loss on disposal of PPE			-						-	-	-
Total Expenditure		-	-	-	-	-	-	-	128 962	131 820	141 754
Surplus/(Deficit)		-	-	-	-	-	-	-	76	166	366
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)									-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)			-						-	-	-
Surplus/(Deficit) after capital transfers & contributions		-	-	-	-	-	-	-	76	166	366
Taxation			-						-	-	-
Surplus/(Deficit) after taxation		-	-	-	-	-	-	-	76	166	366
Attributable to minorities			-						-	-	-
Surplus/(Deficit) attributable to municipality		-	-	-	-	-	-	-	76	166	366
Share of surplus/ (deficit) of associate	7		-						-	-	-
Surplus/(Deficit) for the year		-	-	-	-	-	-	-	76	166	366

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfer and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit. Revenue generated from rates and service charges forms a significant part of the revenue base of the PLM. Rates and service charge revenues comprise just above half of the total revenue mix.

In the 2017/2018 financial year, revenue from rates and services charges totalled R51.2m or 40 percent of the operating revenue. This decreases to R48.6m and R52.8m in the respective financial years of the MTREF; this will be achieved through robust implementation of debt collection and credit control policy. A notable trend of continuous increase in the total percentage revenue is envisaged to be generated from rates and services charges. This growth can be mainly attributed to an increase in the number of farms that are to be billed. The above table takes into account revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

The PLM's expenditure framework for the 2017/2018 budget and MTREF is informed by the following:

- Repairs and maintenance backlogs;
- Balancing the budget (operating expenditure should not exceed operating revenue unless there are existing uncommitted cash-backed reserves to fund any deficit);
- Funding of the budget over the medium term as informed by Section 18 and 19 of the MFMA;
- The capital programme and backlog eradication; and
- Funding the capital budget and other core services by operational gains and efficiencies.

The budgeted allocation for employee related costs for the 2017/2018 financial year totals R61.7m, which equals 48 percent of the total operating expenditure. Based on the MFMA circular 56, salaries have been budgeted at a rate of 7 percent for the 2017/2018 and annual increase of 6.7 percent in the two outer years of the MTREF respectively. Please note that these costs are the combination of salaries, social contributions and allowances. As part of the PLM's cost reprioritization and cash management strategy, vacancies have been significantly restructured. Most vacancies of critical and strategic positions were filled and that were not filled were also taken into account when this budget was compiled. In addition, expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The cost associated with the remuneration and allowances of councillors were determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, no. 20 of 1998. This expenditure item is curbed at R5.7m representing 4 percent of the operating budget. In compiling the salary budget for Councillors, an increase was provided based on the most recent proclamation.

Finance charges consist primarily of the repayment of interest (cost of capital) on long term annuity loans. This interest makes up 2 percent (R2.3m) of the operating expenditure excluding annual redemption for 2018/2019 and increases to R5.2m by 2019/2020.

Bulk purchases are directly informed by the purchase of electricity from Eskom and Department of Water Affairs. The annual price increases have been accounted for in the budget appropriations and directly inform the revenue provisions. The expenditure includes distribution losses resulting from illegal connections, faulty meters and tempering. Bulk purchases are budgeted at R14.6m and R3.6m for electricity and water respectively which totals to 14 percent of the overall operating expenditure.

Contracted services have been identified as a cost saving area for the PLM. As part of the compilation of the 2017/2018 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. Contracted services constitute only R2.3m representing 1.8 percent of the total operating expenditure.

Other expenditure comprises of repairs and maintenance, operational provisions and various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved and is budgeted at R28.9m or 22 percent of the operating budget

Operating grants and transfers totals R64.9m in the 2017/2018 financial year, and increases to R70.5m by 2018/19 and R75.4m in 2019/2020.

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the PLM. National Treasury continues to encourage municipalities to ensure that rates, tariffs and other charges are cost-reflective yet keeping increases as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 percent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increase of Eskom bulk tariffs is far beyond the mentioned inflation target. Given that, these tariff increases are determined by external agencies, the impact they have on the municipality's electricity tariffs are largely outside the control of the PLM. Discounting the impact of these price increases by lowering consumer tariffs will erode the PLM's future financial position and viability.

It must also be appreciated that the inflation, as measured by consumer price index (CPI), is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the PLM is managing the gap between these cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

1.3.5 Capital expenditure

Table 3: Detailed capital budget per individual project

Program/Project description	2017/18 Medium Term Revenue & Expenditure Framework		
	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
PMU	1 073	1 118	1 124
Vrede/Thembalihle Ext.1: Upgrading of Sports Facility Phase 4	176		
Ezenzeleni/Warden: Construction of 1.5km paved Road and Stormwater	199	3 700	4 220
Zamani/Memel: Construction of 2km paved road	146		
Ezenzeleni/Warden: Upgrading of Sports Facility	450	5 070	–
Thembalihle/Vrede Ext. 4: Construction of new 3,5MI Concrete reservoir	4 282	178	–
Thembalihle: Construction of 2km paved road and Stormwater Phase 2	143	4 143	3 964
Thembalihle Ext. 4: Construction Sewer Network for 358 Stands	3 544		
Zamani/Memel: Construction of water in Lindelani section, 510 Stands	2 890		
Ezenzeleni/Warden: Construction of Water Network 511 Stands	3 357	1 199	5 247
Zamani/Memel: Construction of Sports Facility	8 505		
Vrede/Thembalihle: Upgrading of Sports Facility	1 072		
Fencing of cemeteries in Phumelela	1 017	3 358	4 459
Construction of outfall sewer and pumpstation for 350 stands in Ezenzeleni	1 235		
Installation of water meters in Phumelela	1 120	1 298	1 420
Construction of Footbridges in Zamani	543	1 102	–
Installation of Six High Mast lights in Phumelela Vrede/Memel	1 200	1 199	3 000
Upgrading of water treatment works in Memel/Vrede and pump stations	10 000	15 000	20 000
Construction of Dam in Warden/Ezenzeleni	43 500	23 000	–
Electricification in Warden/Ezenzeleni	–	5 000	8 000
	84 454	65 364	51 434

In 2017/2018 an amount of R84.4m has been appropriated for the development of infrastructure around the three units of the municipality. An amount equal to R30.9m of the overall funding of these projects will be received from MIG and R43.5m from RBIG and R10.0m will be from Water Service Infrastructure Grant. Water infrastructure receives the highest allocation of R43.5m equalling 52 percent of the total capital budget.

1.4 ANNUAL BUDGET TABLES- PARENT MUNICIPALITY

The following pages present the ten main budget tables as required in terms of regulation 8 of the Municipal Budget and Reporting Regulations-Part 2 regulation 6. These tables set out the municipality's 2017/2018 budget and MTREF as tabled to the Council. Each table is accompanied by explanatory notes.

Table 4 (Table A1) – Budget Summary

FS195 Phumelela - Table A1 Consolidated Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands										
Financial Performance										
Property rates	-	-	-	-	-	-	-	12 628	13 575	14 593
Service charges	-	-	-	-	-	-	-	38 600	35 071	38 246
Investment revenue	-	-	-	-	-	-	-	220	234	249
Transfers recognised - operational	-	-	-	-	-	-	-	64 948	70 533	75 498
Other own revenue	-	-	-	-	-	-	-	12 642	12 572	13 533
Total Revenue (excluding capital transfers and contributions)	-	-	-	-	-	-	-	129 038	131 986	142 119
Employee costs	-	-	-	-	-	-	-	61 732	65 914	70 319
Remuneration of councillors	-	-	-	-	-	-	-	5 723	6 067	6 431
Depreciation & asset impairment	-	-	-	-	-	-	-	4 460	4 723	4 998
Finance charges	-	-	-	-	-	-	-	2 388	2 531	2 679
Materials and bulk purchases	-	-	-	-	-	-	-	18 200	15 851	18 042
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	-	-	-	-	-	-	-	36 459	36 734	39 285
Total Expenditure	-	-	-	-	-	-	-	128 962	131 820	141 754
Surplus/(Deficit)	-	-	-	-	-	-	-	76	166	366
Transfers and subsidies - capital (monetary allocation)	-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	-	-	-	-	-	-	-	76	166	366
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	-	-	-	-	-	-	-	76	166	366
Capital expenditure & funds sources										
Capital expenditure	-	-	-	-	-	-	-	84 454	65 364	51 434
Transfers recognised - capital	-	-	-	-	-	-	-	84 454	65 364	51 434
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-	-
Total sources of capital funds	-	-	-	-	-	-	-	84 454	65 364	51 434
Financial position										
Total current assets	-	-	-	-	-	-	-	186 426	199 054	210 569
Total non current assets	-	-	-	-	-	-	-	765 016	826 487	871 095
Total current liabilities	-	-	-	-	-	-	-	117 818	124 887	132 380
Total non current liabilities	-	-	-	-	-	-	-	33 725	35 749	37 894
Community wealth/Equity	-	-	-	-	-	-	-	799 899	864 906	911 390
Cash flows										
Net cash from (used) operating	-	-	-	-	-	-	-	84 005	61 991	43 287
Net cash from (used) investing	-	-	-	-	-	-	-	(84 454)	(60 364)	(43 434)
Net cash from (used) financing	-	-	-	-	-	-	-	(187)	(199)	(211)
Cash/cash equivalents at the year end	-	-	-	-	-	-	-	(147)	1 281	924
Cash backing/surplus reconciliation										
Cash and investments available	-	-	-	-	-	-	-	(147)	1 281	924
Application of cash and investments	-	-	-	-	-	-	-	(18 430)	(19 567)	(29 930)
Balance - surplus (shortfall)	-	-	-	-	-	-	-	18 283	20 848	30 854
Asset management										
Asset register summary (WDV)	-	-	-	-	-	-	765 016	765 016	826 487	871 095
Depreciation	-	-	-	-	-	-	4 460	4 460	4 723	4 998
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	3 543	3 543	3 761	3 990
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	8 338	8 338	7 863	8 649
Households below minimum service level										
Water:	-	-	-	-	-	-	0	0	0	0
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	2	2	2	2
Refuse:	-	-	-	-	-	-	2	2	2	2

Explanatory notes on Table A1 – Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flows, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial Management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow, as well as the capital budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected in the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing in the Cash Flow Budget;
 - iii. Internally generated funds are financed from a combination of the current operating surplus, accumulated cash-backed surpluses from previous years and envisaged budget year revenue collection. The amount is incorporated in the Net cash from investing in the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving, indicates that the necessary cash resources are available to fund the Capital Budget.
4. The cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations were not cash-backed. This has placed the municipality in a very vulnerable financial position. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations. It can therefore be seen that over the MTREF there is progressive improvement in the level of cash-backing of obligations showing an ultimate surplus.
5. Even though the council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs

Table 5 (Table A2) Budgeted Financial Performance (revenue and expenditure by standard classification)

FS195 Phumelela - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		-	-	-	-	-	-	76 090	82 250	87 805
Executive and council		-	-	-	-	-	-	3 150	3 307	3 466
Finance and administration		-	-	-	-	-	-	72 940	78 943	84 339
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	145	154	163
Community and social services		-	-	-	-	-	-	145	154	163
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	84	90	96
Planning and development		-	-	-	-	-	-	30	32	34
Road transport		-	-	-	-	-	-	54	58	62
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	52 719	49 492	54 055
Energy sources		-	-	-	-	-	-	16 122	9 234	9 771
Water management		-	-	-	-	-	-	14 821	16 304	17 935
Waste water management		-	-	-	-	-	-	11 352	12 487	13 736
Waste management		-	-	-	-	-	-	10 425	11 467	12 614
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	-	-	-	-	-	-	129 038	131 986	142 119
Expenditure - Functional										
<i>Governance and administration</i>		-	-	-	-	-	-	55 784	55 727	59 336
Executive and council		-	-	-	-	-	-	17 871	18 991	20 155
Finance and administration		-	-	-	-	-	-	37 018	35 779	38 160
Internal audit		-	-	-	-	-	-	895	957	1 021
<i>Community and public safety</i>		-	-	-	-	-	-	3 276	3 502	3 740
Community and social services		-	-	-	-	-	-	1 585	1 694	1 808
Sport and recreation		-	-	-	-	-	-	1 691	1 808	1 931
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	18 305	19 507	20 771
Planning and development		-	-	-	-	-	-	12 855	13 726	14 645
Road transport		-	-	-	-	-	-	5 450	5 780	6 126
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	51 598	53 084	57 907
Energy sources		-	-	-	-	-	-	16 506	13 375	15 422
Water management		-	-	-	-	-	-	16 949	19 159	20 439
Waste water management		-	-	-	-	-	-	10 568	11 870	12 723
Waste management		-	-	-	-	-	-	7 575	8 679	9 323
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	-	-	-	-	-	-	128 962	131 820	141 754
Surplus/(Deficit) for the year		-	-	-	-	-	-	76	166	366

Explanatory notes to Table 5 (Table A2) – Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of these functional areas which enables the National treasury to compile 'whole of government' reports.
2. Note the Total revenue in this table excludes capital revenues and therefore will not balance to the operating revenue which includes capital transfers shown in Table A4.
3. Note that as a general principle the revenues for the trading services should exceed their expenditures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenue sources reflected under the Budget and Treasury office.

Table 6 (Table A3) – Budgeted Financial Performance (revenue and expenditure by municipal vote)

FS195 Phumelela - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)

FS 193 Philmedia - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)										
Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote	1									
Vote 1 - Council And Executive		-	-	-	-	-	-	3 150	3 307	3 466
Vote 2 - Financial And Administration Services		-	-	-	-	-	-	72 940	78 943	84 339
Vote 3 - Planning and Development		-	-	-	-	-	-	30	32	34
Vote 5 - Community and Social Services		-	-	-	-	-	-	145	154	163
Vote 6 - Public Safety		-	-	-	-	-	-	54	58	62
Vote 7 - Sports and Recreation		-	-	-	-	-	-	-	-	-
Vote 8 - Waste Management		-	-	-	-	-	-	10 425	11 467	12 614
Vote 9 - Waste Water Management		-	-	-	-	-	-	11 352	12 487	13 736
Vote 10 - Road Transport		-	-	-	-	-	-	-	-	-
Vote 11 - Water		-	-	-	-	-	-	14 821	16 304	17 935
Vote 12 - Electricity		-	-	-	-	-	-	16 122	9 234	9 771
Vote 12 - Health		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	-	-	-	-	-	-	129 038	131 986	142 119
Expenditure by Vote to be appropriated	1									
Vote 1 - Council And Executive		-	-	-	-	-	-	22 584	24 005	25 490
Vote 2 - Financial And Administration Services		-	-	-	-	-	-	34 097	32 674	34 858
Vote 3 - Planning and Development		-	-	-	-	-	-	11 957	12 774	13 634
Vote 5 - Community and Social Services		-	-	-	-	-	-	1 585	1 694	1 808
Vote 6 - Public Safety		-	-	-	-	-	-	850	908	970
Vote 7 - Sports and Recreation		-	-	-	-	-	-	1 691	1 808	1 931
Vote 8 - Waste Management		-	-	-	-	-	-	7 575	8 679	9 323
Vote 9 - Waste Water Management		-	-	-	-	-	-	10 568	11 870	12 723
Vote 10 - Road Transport		-	-	-	-	-	-	4 600	4 872	5 156
Vote 11 - Water		-	-	-	-	-	-	16 949	19 159	20 439
Vote 12 - Electricity		-	-	-	-	-	-	16 506	13 375	15 422
Vote 12 - Health		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	-	-	-	-	-	-	128 962	131 820	141 754
Surplus/(Deficit) for the year	2	-	-	-	-	-	-	76	166	366

Explanatory notes to Table 6 (Table A3) – Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of Phumelela Local Municipality. This means it is possible to present the operating surplus or deficit per a particular vote.

Table 7 (Table A4) – Budgeted Financial Performance (revenue and expenditure)

FS195 Phumelela - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description		Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source												
Property rates		2	–	–	–	–	–	–	–	12 628	13 575	14 593
Service charges - electricity revenue		2	–	–	–	–	–	–	–	13 926	7 930	8 391
Service charges - water revenue		2	–	–	–	–	–	–	–	11 230	12 353	13 588
Service charges - sanitation revenue		2	–	–	–	–	–	–	–	6 959	7 654	8 420
Service charges - refuse revenue		2	–	–	–	–	–	–	–	6 485	7 134	7 847
Service charges - other										–	–	–
Rental of facilities and equipment										4 756	5 040	5 337
Interest earned - external investments										220	234	249
Interest earned - outstanding debtors										5 896	6 440	7 034
Dividends received										–	–	–
Fines, penalties and forfeits										54	58	62
Licences and permits										27	29	31
Agency services										–	–	–
Transfers and subsidies										64 948	70 533	75 498
Other revenue		2	–	–	–	–	–	–	–	1 909	1 005	1 069
Gains on disposal of PPE				–						–	–	–
Total Revenue (excluding capital transfers and contributions)				–	–	–	–	–	–	129 038	131 986	142 119
Expenditure By Type												
Employee related costs		2	–	–	–	–	–	–	–	61 732	65 914	70 319
Remuneration of councillors										5 723	6 067	6 431
Debt impairment		3								5 113	7 794	8 540
Depreciation & asset impairment		2	–	–	–	–	–	–	–	4 460	4 723	4 998
Finance charges										2 388	2 531	2 679
Bulk purchases		2	–	–	–	–	–	–	–	18 200	15 851	18 042
Other materials		8								–	–	–
Contracted services										2 382	2 524	2 672
Transfers and subsidies										–	–	–
Other expenditure		4, 5	–	–	–	–	–	–	–	28 964	26 416	28 073
Loss on disposal of PPE				–						–	–	–
Total Expenditure				–	–	–	–	–	–	128 962	131 820	141 754
Surplus/(Deficit)				–	–	–	–	–	–	76	166	366
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)										–	–	–
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher		6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)				–						–	–	–
Surplus/(Deficit) after capital transfers & contributions				–	–	–	–	–	–	76	166	366
Taxation				–						–	–	–
Surplus/(Deficit) after taxation				–	–	–	–	–	–	76	166	366
Attributable to minorities				–						–	–	–
Surplus/(Deficit) attributable to municipality				–	–	–	–	–	–	76	166	366
Share of surplus/ (deficit) of associate		7		–						–	–	–
Surplus/(Deficit) for the year				–	–	–	–	–	–	76	166	366

Explanatory notes to Table 7 (Table A4)

1. Total revenue is envisaged to be R129.03m, escalates to R131.9m in 2018/19 and 142.1m in 2019/20.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are increasing steadily over the MTREF.
3. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in the future years, yet saving employment.

Table 8 (Table A5) – Budgeted Capital Expenditure by vote, standard classification and funding source

FS195 Phumelela - Table A5 Consolidated Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Single-year expenditure to be appropriated	2										
Vote 1 - Council And Executive		-	-	-	-	-	-	-	-	-	-
Vote 2 - Financial And Administration Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Planning and Development		-	-	-	-	-	-	-	1 073	1 118	1 124
Vote 5 - Community and Social Services		-	-	-	-	-	-	-	1 017	3 358	4 459
Vote 6 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation		-	-	-	-	-	-	-	10 203	2 165	5 247
Vote 8 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 9 - Waste Water Management		-	-	-	-	-	-	-	1 235	-	-
Vote 10 - Road Transport		-	-	-	-	-	-	-	1 032	13 048	8 184
Vote 11 - Water		-	-	-	-	-	-	-	68 693	39 476	21 420
Vote 12 - Electricity		-	-	-	-	-	-	-	1 200	6 199	11 000
Vote 12 - Health		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	84 454	65 364	51 434
Total Capital Expenditure - Vote		-	-	-	-	-	-	-	84 454	65 364	51 434
Capital Expenditure - Functional											
<i>Governance and administration</i>		-	-	-	-	-	-	-	-	-	-
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		-	-	-	-	-	-	-	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	-	11 220	5 523	9 706
Community and social services		-	-	-	-	-	-	-	1 017	3 358	4 459
Sport and recreation		-	-	-	-	-	-	-	10 203	2 165	5 247
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	-	2 105	14 166	9 308
Planning and development		-	-	-	-	-	-	-	1 073	1 118	1 124
Road transport		-	-	-	-	-	-	-	1 032	13 048	8 184
Environmental protection		-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	-	69 929	39 476	21 420
Energy sources		-	-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	68 693	39 476	21 420
Waste water management		-	-	-	-	-	-	-	1 235	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	1 200	6 199	11 000
Total Capital Expenditure - Functional	3	-	-	-	-	-	-	-	84 454	65 364	51 434
Funded by:											
National Government		-	-	-	-	-	-	-	84 454	65 364	51 434
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	-	-	-	-	-	-	-	84 454	65 364	51 434
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	-	-	-	-	-	-	-
Total Capital Funding	7	-	-	-	-	-	-	-	84 454	65 364	51 434

Explanatory notes to Table 8 (Table A5) – Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year budget appropriations. A total of R84.4m has been allocated for the 2017/18 financial year, R65.3m for the 2018/19 financial year and flattens out to R51.4m in the 2019/20 financial year.
3. The capital programme is funded from capital transfers from national and provincial government.

Table 9 (Table A6) – Budgeted Financial Position

FS195 Phumelela - Table A6 Consolidated Budgeted Financial Position

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
ASSETS											
Current assets											
Cash									(147)	1 281	924
Call investment deposits	1	-	-	-	-	-	-	-	-	-	-
Consumer debtors	1	-	-	-	-	-	-	-	186 000	197 160	208 990
Other debtors									-	-	-
Current portion of long-term receivables									-	-	-
Inventory	2								572	613	655
Total current assets		-	-	-	-	-	-	-	186 426	199 054	210 569
Non current assets											
Long-term receivables									-	-	-
Investments									-	-	-
Investment property									18 457	19 564	20 738
Investment in Associate									-	-	-
Property, plant and equipment	3	-	-	-	-	-	-	-	746 559	806 923	850 357
Agricultural											
Biological											
Intangible											
Other non-current assets											
Total non current assets		-	-	-	-	-	-	-	765 016	826 487	871 095
TOTAL ASSETS		-	-	-	-	-	-	-	951 442	1 025 541	1 081 664
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	-	-	-	-	-	-	-	68	72	76
Consumer deposits											
Trade and other payables	4	-	-	-	-	-	-	-	117 750	124 815	132 304
Provisions											
Total current liabilities		-	-	-	-	-	-	-	117 818	124 887	132 380
Non current liabilities											
Borrowing		-	-	-	-	-	-	-	2 747	2 911	3 086
Provisions		-	-	-	-	-	-	-	30 978	32 837	34 807
Total non current liabilities		-	-	-	-	-	-	-	33 725	35 749	37 894
TOTAL LIABILITIES		-	-	-	-	-	-	-	151 543	160 636	170 274
NET ASSETS	5	-	-	-	-	-	-	-	799 899	864 906	911 390
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)			-	-					799 899	864 906	911 390
Reserves	4	-			-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	-	-	-	-	-	-	-	799 899	864 906	911 390

Explanatory notes to table 9 (Table A6) – Budget Financial Position

- Table A6 is consistent with international standards of good financial management practice, and improves understanding for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets and Liabilities as “accounting” Community Wealth or Equity. The order of items within each group illustrates requirements to be met from cash, and appears first.
- Table A6 provides a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Non-current Provisions;
 - Changes in net assets; and
 - Reserves
- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
- Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalent at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and

relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 10 (Table A7) – Budgeted Cash Flow Statement

FS195 Phumelela - Table A7 Consolidated Budgeted Cash Flows

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates									10 103	10 860	11 674
Service charges									30 880	28 057	33 582
Other revenue									5 780	5 914	6 267
Government - operating	1								64 948	70 533	75 498
Government - capital	1								84 454	60 364	43 434
Interest									4 937	5 339	5 827
Dividends									-	-	-
Payments											
Suppliers and employees									(114 709)	(116 051)	(129 395)
Finance charges									(2 388)	(3 025)	(3 600)
Transfers and Grants	1								-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	-	-	-	-	-	84 005	61 991	43 287
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets									(84 454)	(60 364)	(43 434)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	-	-	-	-	(84 454)	(60 364)	(43 434)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing									(187)	(199)	(211)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	(187)	(199)	(211)
NET INCREASE/ (DECREASE) IN CASH HELD		-	-	-	-	-	-	-	(636)	1 428	(358)
Cash/cash equivalents at the year begin:	2								489	(147)	1 281
Cash/cash equivalents at the year end:	2								(147)	1 281	924

Explanatory notes to Table 10 (Table A7) - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The 2017/18 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term

Table 11 (Table A8) – Cash Backed Reserves/Accumulated Surplus Reconciliation

FS195 Phumelela - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and investments available											
Cash/cash equivalents at the year end	1	-	-	-	-	-	-	-	(147)	1 281	924
Other current investments > 90 days		-	-	-	-	-	-	-	-	-	-
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		-	-	-	-	-	-	-	(147)	1 281	924
Application of cash and investments											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	1 750	1 855	1 966
Other working capital requirements	3	-	-	-	-	-	-	-	(20 180)	(21 422)	(31 896)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		-	-	-	-	-	-	-	(18 430)	(19 567)	(29 930)
Surplus(shortfall)		-	-	-	-	-	-	-	18 283	20 848	30 854

Explanatory notes to Table 11 (Table A8) – Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Compliance with section 18 of the MFMA is assumed because a surplus indirectly indicates that the annual budget is appropriately funded.
5. As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 MTREF the end objective of the medium-term framework was to ensure the budget is funded in alignment to section 18 of the MFMA.

Table 12 (Table A9) – Asset Management

FS195 Phumelela - Table A9 Consolidated Asset Management

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Roads Infrastructure								166 833	179 880	188 064
Storm water Infrastructure								-	-	-
Electrical Infrastructure								39 917	41 115	44 115
Water Supply Infrastructure								285 613	325 089	346 509
Sanitation Infrastructure								199 792	199 792	199 792
Solid Waste Infrastructure								23 695	23 695	23 695
Rail Infrastructure								-	-	-
Coastal Infrastructure								-	-	-
Information and Communication Infrastructure								-	-	-
Infrastructure		-	-	-	-	-	-	715 850	769 572	802 176
Community Facilities								1 017	4 376	8 835
Sport and Recreation Facilities								10 203	12 367	17 614
Community Assets		-	-	-	-	-	-	11 220	16 743	26 449
Heritage Assets								-	-	-
Revenue Generating								-	-	-
Non-revenue Generating								-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings								17 412	17 412	17 412
Housing								18 457	19 564	20 738
Other Assets		-	-	-	-	-	-	35 868	36 976	38 150
Biological or Cultivated Assets								-	-	-
Servitudes								-	-	-
Licences and Rights								-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment								-	-	-
Furniture and Office Equipment								-	-	-
Machinery and Equipment								2 078	3 196	4 320
Transport Assets								-	-	-
Libraries								-	-	-
Zoo's, Marine and Non-biological Animals								-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	-	-	-	-	-	-	765 016	826 487	871 095
EXPENDITURE OTHER ITEMS										
Depreciation	7	-	-	-	-	-	-	4 460	4 723	4 998
Repairs and Maintenance by Asset Class	3	-	-	-	-	-	-	3 543	3 761	3 990
Roads Infrastructure								1 000	1 059	1 121
Storm water Infrastructure								-	-	-
Electrical Infrastructure								-	-	-
Water Supply Infrastructure								759	805	854
Sanitation Infrastructure								521	553	587
Solid Waste Infrastructure								552	585	620
Rail Infrastructure								-	-	-
Coastal Infrastructure								-	-	-
Information and Communication Infrastructure								-	-	-
Infrastructure		-	-	-	-	-	-	2 832	3 002	3 182
Community Facilities		-	-	-	-	-	-	107	114	121
Sport and Recreation Facilities		-	-	-	-	-	-	7	8	9
Community Assets		-	-	-	-	-	-	114	122	130
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	500	530	561
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	500	530	561
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	24	29	34
Machinery and Equipment		-	-	-	-	-	-	73	78	83
Transport Assets		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		-	-	-	-	-	-	8 003	8 484	8 988
Renewal and upgrading of Existing Assets as % of total capex		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Renewal and upgrading of Existing Assets as % of deprecn		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
R&M as a % of PPE		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,5%	0,5%	0,5%
Renewal and upgrading and R&M as a % of PPE		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

Explanatory notes to Table 12 (Table A9) – Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 percent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance

should be at least 10% of PPE. Phumelela Local Municipality does not meet any of these recommendations. The reason for this is that the capital budget of the municipality is funded in the form of conditional grants, and these can only be used for new assets as opposed to being used for the renewal of existing assets.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 regulation 4 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and Senior Managers, Budget Manager, IDP Manager of the municipality meeting under the chairpersonship of the Council Committee for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the PLM's IDP and the budget, taking into account the need to protect the financial sustainability of the municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 IDP, Service Delivery and Budget Implementation Plan

This is the 1st year of the fourth generation of the IDP and will be adopted by council on or before the 30 of May 2017.

The PLM's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly informs the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following Key IDP Processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring process.

The IDP has been taken into a business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2016/17 MTREF and the Mid-year review. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/2018 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the Mid-year performance against the 2016/2017 Departmental Service Delivery and Budget Implementation Plan. Business

planning links back to priority needs and master planning, and essentially informed the detailed operating budget appropriations and three-year capital programme.

2.1.2 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2017/2018 MTREF, an extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of this MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation)
- Performance trends
- Cash Flow Management Strategy
- Debtor payment levels
- Investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 85 and 86 has been taken into consideration in the planning and prioritisation process.

2.1.3 Community Consultation

The draft 2017/2018 MTREF as tabled by Council on 31 March 2017 for community consultation will be published on the municipality's website, and hard copies made available at municipal offices and other community centres. In addition budget road shows will be held in different municipal clusters. Inputs will also be collected via e-mails.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2017/2018 MTREF.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic

environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (PGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative of South Africa (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP);
- The National Priority Outcomes; and
- National Development Plan

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's six strategic objectives for the 2017/2018 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 16 – IDP Strategic Objectives

Priority	Objectives	Outcomes
1. Revenue	Increase own revenue from trading services and other revenue streams	<p>Ensure that every consumer who is provided with a service is billed correctly and pay for the service by performing:</p> <ul style="list-style-type: none"> ➤ Data cleansing ➤ Constant follow up on outstanding accounts. ➤ Collaboration with Eskom for the installation of split meters in Warden and Ezenzeleni to curb electricity losses which will increase revenue and reduce bulk purchases. ➤ Annually maintain indigent register ➤ Perform supplementary valuation rolls ➤ Implementation of traffic management

2. SCM Management	To procure goods and services in line with sec 217 of the constitution and chapter 11 of the MFMA no.56 of 2003	Eliminate irregular, fruitless and wasteful expenditure. Value for money without compromising quality through competition, transparency and equity
3. Asset Management	To ensure that assets of the municipality are accounted for in terms of GRAP standards	Development of asset policy Develop and maintain GRAP 17 asset register Ensure that assets are comprehensively ensured
4. Budget reporting	Prepare and implement the budget in the terms of budget reforms	Ensure that the budget is approved by council before the start of the new financial year Ensure that monthly, quarterly and yearly reports are prepared and submitted to council on time.
5. Expenditure management	Ensure that expenditure incurred provided for in the approved budget	Reduction of unauthorised expenditure
6. Review of LED strategy	To have an updated LED strategy	Updated LED strategy
7. Exploiting and pursuing new investment opportunities	To attract new investors in around Phumelela	<ul style="list-style-type: none"> - Agriculture/ Dairy farm - Gas exploration - Smart technology factory - Tourism opportunities
8. Tourism	To promote tourism opportunities around Phumelela	To increase tourism opportunities
9. Cemeteries and Parks	To ensure effective management of graveyards and cemeteries in the Phumelela municipal area	Adequate provision for, safe and well maintained graveyards and cemeteries.
10. Sport and recreation facilities	To ensure access to sports and recreation in the Phumelela municipal area	Adequate provision, for safe and well maintain sport and recreational facilities, as measured in terms of the target set for the programs and projects in the 5 year IDP
11. Traffic and parking	To ensure effective and traffic management and parking in the Phumelela area	Adequate provision for traffic management and parking, as measured in terms of the targets set for programmes and project in the IDP
12. Waste management	To ensure effective and efficient waste management in the area from storage to disposal	Environmental clean waste disposal site
13. Energy and Electricity management	To ensure effective and efficient electricity supply	Sufficient provision of electricity
14. Municipal roads and storm water	To provide the mobility and enhance economic development in the Municipal environment	Improved access and enhancement of economic development
15. Sanitation	To ensure provision of reliable sanitation and related effluent	Healthy environment in the Phumelela area

16. Water	To ensure provision of clean potable water	Increased access to clean potable water
17. Alignment of Organizational Structure with IDP	To ensure that the structure is reviewed and linked to IDP Alignment of Organizational Structure with Powers & Functions Establish proper reporting lines	Structure reviewed and approved by Council
18. Filling of critical vacancies	To ensure that recruitment campaign is conducted in line with recruitment policy. To appoint / attract possible competent and skilled personnel	Clear job descriptions linked to KPA's and KPI's and deliverables. Ensure compliance with minimum competencies
19. Development and review appropriate policies and by-laws	To have a policy driven and regulated environment	Policies adopted by Council including the Bylaws
20. Skill Audit to evaluate competencies & address shortcomings	To identify the skills gaps. Training to be in line with the WSP and approved by Council	Training plan in line with WSP approved by Council
21. Organizational Performance Management	Cascading Performance Management System to staff below Section 57. To ensure that a Culture of performance is installed	Clear job description
22. Improvement of Government/ governance Structures/ functionality of Council Committees	To ensure functionality of Section 80 Committee, ward committees, Oversight Committee and LLF. Adopt organization wide schedule of meetings and comply with it	Section 80 resuscitated LLF properly constituted Audit committee established Schedule of dates adopted by Council
23. Legislative compliance	Report monthly, quarterly, mid-year and annually. Reporting on the LGTAS (Monitoring and evaluation)	Ensure compliance in terms of reporting (MFMA guidelines)
24. Communication strategy	Better use of Municipal Web-site Improve way of communication with public and stakeholders	Ensure functional website Convene Quarterly engagement with stakeholders

25. Spatial Development Framework	Review of the Spatial Development Framework	Reviewed Spatial Development Framework
26. Disaster Management	Development of a disaster management plan	Disaster management plan Developed
27. Sector Plans	FA: 9.1 Development of Sector plans for basic services; Water, Waste, Sanitation, Electricity/Energy and Roads & Pavement	

In order to ensure integrated and focused service delivery between all spheres of government it was important for the PLM to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Provide planning services (Town Planning); and
 - Maintaining the infrastructure of the PLM.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the PLM;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
3. Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective PLM cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
4. Integrated Social Services for empowered and sustainable communities
 - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
5. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
 - Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.
6. Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website
7. Ensure financial sustainability through:
 - Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
 8. Optimal institutional transformation to ensure capacity to achieve set objectives
 - Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the PLM. The five-year programme responds to the development challenges and opportunities faced by the PLM by identifying the key performance areas to achieve the five strategic objectives mentioned above.

In addition to the five-year IDP, the PLM undertakes an extensive planning and developmental strategy which primarily focuses on a longer term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the PLM so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the PLM's IDP, associated sectorial plans and strategies, and the allocation of resources of the PLM and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fifth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the PLM;
- Initiating zone planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2017/18 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 17 (Table SA4) – Reconciliation between the IDP strategic objectives and the budget revenue

FS195 Phumelela - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand												
To ensure provision of clean potable water	Increased access to clean potable water									10 425	11 467	12 614
To ensure provision of reliable sanitation and related effluent	Healthy environment in Phumelela area									11 352	12 487	13 736
To provide mobility and enhance economic development in the Municipal environment	Improve access and enhancement of economic development									–	–	–
To ensure that recruitment campaign is conducted in line with recruitment policy. To appoint / attract possible competent and skilled personnel	Clear job description linked to KPA's and KPI's and deliverables. Ensure compliance with minimum competencies									4 956	5 432	5 952
Increase own revenue from trading services and other revenue	Ensure that every consumer who is provided with a service is billed correctly and pay for the service by performing: 1. Data cleansing 2. Constant follow up on outstanding accounts. 3. Collaboration with Eskom for the installation of split meters in Warden and Ezenzeleni to curb electricity losses which will increase revenue and reduce bulk purchases. 4. Annually maintain indigent register 5. Perform supplementary valuation rolls 6. Implementation of traffic management									75 047	73 327	78 390
To facilitate institutional transformation and development in the Phumelela local municipality	To ensure institutional transformation and development in terms of Corporate services, Property services and Property services: Commonage									4 767	5 053	5 352
To ensure good governance in the Phumelela local municipality	Ensure good governance in the office of the mayor, council, municipal manager & town planning									3 150	3 307	3 466
To ensure good waste management in the Phumelela municipal area	Ensure good solid waste management									10 425	11 467	12 614
To ensure effective and efficient electricity supply	Sufficient provision of electricity									8 717	9 234	9 771
To ensure effective management of graveyards and cemeteries in the Phumelela municipal area	Adequate provision for, safe and well maintained graveyards and cemeteries									145	154	163
To ensure access to quality sport and recreational in the Phumelela municipal area	To ensure proper management of the library, sport and recreational facilities									–	–	–
To ensure effective traffic management and parking in the Phumelela municipal area	To ensure proper traffic control									54	58	62
To ensure effective firefighting in the Phumelela municipal area	To ensure proper fire fighting									–	–	–
										–	–	–
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	–	–	–	–	–	–	129 038	131 986	142 119

Table 18 (Table SA5) – Reconciliation between the IDP strategic objectives and budgeted operating expenditure

FS195 Phumelela - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

FS195 Phumelela - Supporting Table SA3 Reconciliation of IDP Strategic Objectives and Budget (Operating expenditure)												
Strategic Objective	Goal	Goal Code	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand												
To ensure provision of clean potable water	Increased access to clean potable water									16 949	19 159	20 439
To ensure provision of reliable sanitation and related effluent	Healthy environment in Phumelela area									10 568	11 870	12 723
To provide mobility and enhance economic development in the Municipal area	Improve access and enhancement of economic development									1 000	1 059	1 121
To ensure that recruitment campaign is conducted in line with recruitment policy. To assist affected people	Clear job description linked to KPA's and KPI's and deliverables. Ensure compliance with systems									12 592	13 726	14 645
Increase own revenue from trading services and other revenue	Ensure that every consumer who is provided with a service is billed correctly and									34 662	33 472	35 762
To facilitate institutional transformation and development in the Phumelela local municipality	To ensure institutional transformation and development in terms of									9 965	5 983	2 864
To ensure good governance in the Phumelela local municipality	Ensure good governance in the office of the mayor, council, municipal manager &									19 465	20 693	26 676
To ensure good waste management in the Phumelela municipal area	Ensure good solid waste management									7 575	8 679	9 323
To ensure effective and efficient electricity supply	Sufficient provision of electricity									13 762	14 575	15 422
To ensure effective management of grave yards and cemeteries in the Phumelela municipal area	Adequate provision for, safe and well maintained graveyards and cemeteries									1 585	1 694	1 808
To ensure access to quality sport and recreational in the Phumelela municipal area	To ensure proper management of the library, sport and recreational facilities									-	-	-
To ensure effective traffic management and parking in the Phumelela municipal area	To ensure proper traffic control									840	908	970
To ensure effective firefighting in the Phumelela municipal area	To ensure proper fire fighting											
Allocations to other priorities												
Total Expenditure				1	-	-	-	-	-	128 962	131 820	141 754

Table 19 (Table SA6) – Reconciliation between the IDP strategic objectives and the budgeted capital expenditure

FS195 Phumelela - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

S173 Phumelela - Supporting Table 3A Reconciliation of IDP Strategic Objectives and Budget (Capital Expenditure)												
Strategic Objective	Goal	Goal Code	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
To ensure provision of clean potable water	Increased access to clean potable water	A								68 693	39 476	21 420
To ensure provision of reliable sanitation and related effluent	Healthy environment in Phumelela area	B								1 032	13 048	8 184
To provide mobility and enhance economic development in the Municipal area	Improve access and enhancement of economic development	C								-	-	-
To ensure that recruitment campaign is conducted in line with recruitment policy. To ensure that recruitment campaign is conducted in line with recruitment policy.	Clear job description linked to KPA's and KPI's and deliverables. Ensure	D								-	-	-
Increase own revenue from trading services and other revenue	Ensure that every consumer who is provided with a service is billed correctly and	E								-	-	-
To facilitate institutional transformation and development in the Phumelela local municipality	To ensure institutional transformation and development in terms of	F								1 073	1 118	1 124
To ensure good governance in the Phumelela local municipality	Ensure good governance in the office of the mayor, council, municipal manager &	G								-	-	-
To ensure good waste management in the Phumelela municipal area	Ensure good solid waste management	H								-	-	-
To ensure effective and efficient electricity supply	Sufficient provision of electricity	I								1 200	6 199	11 000
To ensure effective management of graveyards and cemeteries in the Phumelela municipal area	Adequate provision for, safe and well maintained graveyards and cemeteries	J								1 017	3 358	4 459
To ensure access to quality sport and recreational in the Phumelela municipal area	To ensure proper management of the library, sport and recreational facilities	K								10 203	2 165	5 247
To ensure effective traffic management and parking in the Phumelela municipal area	To ensure proper traffic control	L								-	-	-
To ensure effective firefighting in the Phumelela municipal area	To ensure proper fire fighting	M								-	-	-
No strategic Objective in IDP	Health	N								-	-	-
Other	Other	O								1 235	-	-
		P										
Allocations to other priorities				3								
Total Capital Expenditure				1	-	-	-	-	-	84 454	65 364	51 434

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the PLM has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets,

monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury:

The following table sets out the municipalities main performance objectives and benchmarks for the 2017/2018 MTREF.

Table 20 (Table SA8) – Performance indicators and benchmarks

FS195 Phumelela - Supporting Table SA8 Performance indicators and benchmarks

PS 195 Performance Indicators and Benchmarks											
Description of financial indicator	Basis of calculation	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	2,0%	2,1%	2,0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	4,0%	4,4%	4,3%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	-	-	-	-	-	-	-	1,6	1,6	1,6
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	-	-	-	-	-	-	-	1,6	1,6	1,6
Liquidity Ratio	Monetary Assets/Current Liabilities	-	-	-	-	-	-	-	(0,0)	0,0	0,0
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	80,0%	80,0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	80,0%	80,0%	85,7%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	144,1%	149,4%	147,1%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))								0,0%	0,0%	0,0%
Creditors to Cash and Investments		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	-79107,1%	9595,1%	14111,6%
<u>Other Indicators</u>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	47,8%	49,9%	49,5%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	52,3%	54,5%	54,0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	2,7%	2,8%	2,8%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	5,3%	5,5%	5,4%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	-	-	-	-	-	-	-	11,6	10,2	11,0
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	332,2%	367,2%	359,2%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	-	-	-	-	-	-	-	(0,0)	0,1	0,1

2.4 Overview of budget related-policies

The PLM's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

The Credit Control and Debt Collection Policy as approved by Council on 25 March 2008, has been reviewed and the following amendments took place :

- Section 4 Subsection 4.1 (The Municipality will only enter into a contract agreement with the Owner of the property) This item is added to the policy to get rid of tenants accounts
- In the case of tenants a written approval by the owner must accompany the agreement. (This item has been removed from a reviewed policy. No tenants accounts allowed anymore.)
- The Chief Financial Officer shall authorise the reconnection of services or reinstatement of service delivery within twenty-four hours after satisfactory payment and/or arrangement for payment, together with reconnection fees, has been made according to the municipality's Credit Control Policy (Turnaround time has been added.)

While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the SETA training institution aims to also train indigent households. In line with the national government's initiative to create a million jobs, all role players are actively involved in the reduction of the number of registered indigent households.

The 2017/18 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 85 percent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the PLM's cash levels. In addition, PLM has already embarked on encouraging the community to pay for services and those who cannot afford to pay, be registered as indigents.

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

The Municipality has recently reviewed and adopted a Fixed Assets Management policy which provides all the information relating to the funding and investment related to the Infrastructure.

2.4.3 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in 25 March 2008. The SCM policy was reviewed during the Annual Budget for 2017/18 MTREF and Section 53 Subsection (a) was amended with the following:

- 1% of corporate social investment on all awards made by the Municipality in excess of R200,00.00 to be removed

This policies will be adopted by council when the Annual Budget is adopted on the 30 May 2017.

2.4.4 Other Reviewed and New Policies

The following policies were also reviewed when the Annual Budget for 2017/18 MTREF was prepared:

- Tariffs Policy
- Infrastructure Procurement and Delivery Management Policy (New)
- Credit and Debt Collection Policy
- Indigent Policy
- Write-off Policy
- Petty Cash Policy
- Banking and Investment Policy
- Budget and Virements Policy
- Fixed Asset Management Policy
- Accounting Policy
- Borrowing Policy
- Funds and Reserves Policy
- Property Rates Policy

- Contingent Liabilities Policy
- Commitments Policy
- SPLUMA Tariffs
- Unauthorised, Irregular and Fruitless Expenditure Policy

Travel and Subsistence Policy

- Amendments are as follows :
 - Clause 3.12 (Calculation on the fixed monthly travelling allowance);
 - Clause 4.2.2 (R75.00 has been taken out of the policy were staff is required to travel out sight the derestriction of the municipality.
 - Clause 9 (To be included to read the “Policy will be implemented annually in line with the salary and wage collective agreement”.

2.5 OVERVIEW OF THE BUDGET ASSUMPTIONS

2.5.1 External Factors

The Budget Review 2017 notes that the global economic crisis has deepened, exposing the depth of South Africa’s external vulnerabilities and the internal constraints that limit its potential for growth. Global conditions have exposed South Africa’s own economic weaknesses, with projected GDP growth revised down to 0.9 per cent for 2017 improving gradually to 1.7 per cent in 2018 and 2.4 per cent in 2019.

The weaker outlook is as a result of lower commodity prices, higher borrowing costs, drought and diminished business and consumer confidence. Constrained electricity supply continues to limit growth and deter fixed investment. Exchange rate depreciation is contributing to a higher inflation outlook during 2017.

These factors are expected to ease over the medium term. An upturn in global trade and investment, improved policy certainty, recovering consumer and business confidence, and greater availability and reliability of electricity in the outer years should support stronger growth.

Higher inflation and weaker employment growth will impact on the ability of municipalities to generate and collect revenue on services, to keep expenditures within the budgeted allocations, and to borrow to fund capital expenditure programmes at affordable rates. Therefore it is critical for municipalities to review how they conduct their business to ensure value for money is obtained in all their expenditures, that revenue administration systems are operating effectively, that borrowing programmes are realistic, and that creditors (including bulk service providers) continue to be paid timeously and in full.

2.5.2 General inflation outlook and its impact on the municipal activities

There are four key factors that have been taken into consideration in the compilation of the 2017/18 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality’s residents and businesses;
- The impact of municipal cost drivers;
- The increase in the cost of remuneration.

CPI inflation rate is above the 6 percent parameter set by the South African Reserve Bank.

2.5.3 Collection rate for revenue services

Cash flow is assumed to be 85 percent of billings due to corrective measures that have been implemented. The performance of arrears collection will only be considered as a source of additional cash in-flow once the performance has been carefully monitored.

The achievement of the budgeted revenue is premised on the following assumptions.

- Data cleansing to achieve correct billings
- Reduction of electricity losses as a result of line losses.
- Installation of smart/split meters to prevent tempering
- Cleaning and replacing of broken water meters
- Install new meters in Zamani and Ezenzeleni to abolish the flat rate that is currently being used as a form of billing.
- Appointment of the revenue manager to improve revenue management.
- Subsidising indigents only, as opposed subsidising every household
- Billing consumers correctly for each service consumed.

2.5.4 Salary increases

The South African Local Government Bargaining Council recently entered into a three year Salary and Wage collective agreement for the period 01 July 2015 to 30 June 2018. The agreement reached is as follows:

- 2017/18 Financial Year – 7 Percent
- 2018/19 Financial Year – average CPI + 1 percent
- 2019/20 Financial Year – average CPI + 1 percent

PLM has used this guide in the preparation of its budget for the MTREF.

2.5.5 Growth or decline in tax base of the municipality

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the PLM, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the costs incurred for servicing the household is the same whether it is poor or not, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.5.6 Impact of National, Provincial and Local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and, in this regard, various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. As thus, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Infrastructure development;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure, thereby ensuring the achievement of the national, provincial and local objectives.

2.5.7 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of almost 100 percent is achieved on operating expenditure and a total of 100 percent on the capital programme for the 2017/18 MTREF. If the municipality could exhaust all its funds to ensure service delivery to the community, that is a committed municipality.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives a reasonable part of its operational revenue from the provision of services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building fees, licences and permits, etc.) make up the rest of the pie.

The revenue strategy is a function of key components such as:

- Growth in the PLM and economic development;
- Revenue management and enhancement;
- Achievement of a 80 percent collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) guideline;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- The ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

2.6.2 Medium-term outlook: Capital Revenue

Grant receipts still remain a significant funding source for the capital programme over the medium-term. The borrowing capacity of PLM has essentially reached its limits and going forward borrowing limits will remain constant.

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. The main contributing factor to the escalation of 100 percent spending is owing to the fact that PLM budget for capital spending on a year to year basis is funded by conditional grants.

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understanding for councillors and management. Some specific features include:

Clear separation of capital and operating receipts from government also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the actual collection rate of billed revenue; and

Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 20 (Table A7) – Budgeted Cash flow statement

FS195 Phumelela - Table A7 Consolidated Budgeted Cash Flows

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates									10 103	10 860	11 674
Service charges									30 880	28 057	33 582
Other revenue									5 780	5 914	6 267
Government - operating	1								64 948	70 533	75 498
Government - capital	1								84 454	60 364	43 434
Interest									4 937	5 339	5 827
Dividends									-	-	-
Payments											
Suppliers and employees									(114 709)	(116 051)	(129 395)
Finance charges									(2 388)	(3 025)	(3 600)
Transfers and Grants	1								-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	-	-	-	-	-	84 005	61 991	43 287
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets									(84 454)	(60 364)	(43 434)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	-	-	-	-	(84 454)	(60 364)	(43 434)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing									(187)	(199)	(211)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	(187)	(199)	(211)
NET INCREASE/ (DECREASE) IN CASH HELD		-	-	-	-	-	-	-	(636)	1 428	(358)
Cash/cash equivalents at the year begin:	2								489	(147)	1 281
Cash/cash equivalents at the year end:	2								(147)	1 281	924

- The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA circular 42 – Funding a Municipal Budget.
- In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
- The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
- Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
- Considering the requirements of section 18 of the MFMA, it can be concluded that the tabled 2017/2018 MTREF is funded owing to the realised surplus.
- As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 MTREF the end objective of the medium-term framework was to ensure the budget is funded in alignment to section 18 of the MFMA.

2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA.

Table 22 – Funding compliance measurement

FS195 Phumelela Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
High Level Outcome of Funding Compliance												
Total Operating Revenue			–	–	–	–	–	–	–	129 038	131 986	142 119
Total Operating Expenditure			–	–	–	–	–	–	–	128 962	131 820	141 754
Surplus/(Deficit) Budgeted Operating Statement			–	–	–	–	–	–	–	76	166	366
Surplus/(Deficit) Considering Reserves and Cash Backing			–	–	–	–	–	–	–	18 283	20 848	30 854
MTREF Funded (1) / Unfunded (0)		15	1	1	1	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✗		15	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

2.7 Annual budgets and SDBIPs – internal departments

The SDBIPs for the different departments will in terms of section 53(1)(c)(ii) of the MFMA be tabled and approved by the mayor within 28 days after the approval of the annual budget. Therefore, at the time when this budget was adopted the SDBIP was yet to be approved.

2.8 Contracts having future budgetary implications

In terms of the PLM's Supply Chain Management Policy, no contracts are awarded beyond the medium term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

PART 2 : SUPPORTING DOCUMENTATION

2.9 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

2.9.1 In-year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the PLM's website.

2.9.2 Internship programme

The PLM is participating in the Municipal Financial Management Internship programme and has employed eight interns undergoing training in various divisions of the Financial Services Department. 5 of the interns previously trained by the municipality were appointed on permanent basis as of 4th May 2015. Since the introduction of the Internship programme the PLM has successfully employed and trained eighteen interns through this programme and a majority of them were appointed either in the PLM and other institutions such as KPMG, Anglo American and municipalities such as Lekwa Local Municipality and Thabo Mofutsanyana District municipality.

Five new interns were appointed by the municipality during the 2016-17 financial year.

2.9.3 Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

2.9.4 Audit Committee

PLM is currently using a shared district Audit Committee.

2.9.5 Service Delivery and Budget Implementation Plan

The detailed SDBIP document is at a draft stage and will be finalised after approval of the 2017/18 MTREF on or before the 31st May 2017 directly aligned and informed by the 2017/18 MTREF.

2.9.6 Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

2.9.7 MFMA Training

Current Interns are busy undergoing the MFMA training module in electronic format, and have been registered for the Municipal Finance Management Programme. Nine officials of the municipality have undergone the Municipal Finance Management Programme and are awaiting certification.

2.9.8 Policies

All Phumelela Local Municipality's developed and reviewed policies are aligned to government legislations and regulations as gazetted. Any amendments to our policies will not deviate from gazetted legislations and regulations.



2.10 Municipal manager’s quality certificate

I, Acting Municipal Manager of Phumelela Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Acting Municipal Manager of Phumelela Local Municipality (FS195)

Signature _____

Date _____